

DIVISION OF CONSUMER ADVOCACY  
Department of Commerce and  
Consumer Affairs  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813  
Telephone: (808) 586-2800

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
THE GAS COMPANY, LLC )  
DBA HAWAII GAS )  
 )  
For Modification of General Order No. 9 )  
Paragraph 2.3.f.2. Requirements Relating to )  
Capital Improvements. )

DOCKET NO. 2024-0304

**DIVISION OF CONSUMER ADVOCACY'S**  
**STATEMENT OF POSITION**

Pursuant to the Hawaii Public Utilities Commission's ("Commission") Order No. 41204 Approving the Parties'<sup>1</sup> Stipulated Procedural Schedule, filed on November 19, 2024, the Division of Consumer Advocacy ("Consumer Advocate") informs the Commission that it has completed its review of the application. Based upon that review, the Consumer Advocate hereby informs the Commission that it does not object to The Gas Company, LLC dba Hawaii Gas' ("Hawaii Gas") requested relief described in the instant application, subject to the following conditions, as are discussed in further detail below:

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<sup>1</sup> The Parties in this proceeding are Hawaii Gas and the Consumer Advocate.

1. Hawaii Gas should be required to expand the information provided in its Five-Year Capital Expenditure Budget Forecast to include more information regarding the projects reflected in the budget with particular emphasis on the projects planned for the upcoming year.
2. Hawaii Gas should provide a narrative list of the projects completed during the preceding year.

In reviewing the request, the Consumer Advocate considered the following primary factors:

1. The use of the change in the Urban CPI-U as the basis for a new dollar threshold amount for Section 2.3.f.2 of G.O. 9;
2. The percentage of G.O.9 threshold amounts relative to the Company's plant in service balance;
3. The percentage of the total cost of capital projects reviewed under the existing capital expenditure filing threshold to Hawaii Gas' total plant additions for the past 10 years; and
4. The reduction of the number of applications filed under the proposed \$2,750,000 threshold.

Under the first two factors, by comparing the proposed \$2,750,000 threshold to the \$500,000 threshold set in 1965, the proposed threshold falls well below the Hawaii Urban CPI-U inflationary index and also represents a lower proportion of the Company's plant in service on a percentage basis. While these factors indicate that the requested increase is reasonable as compared to the threshold set by the Commission in 1965, the proposed increase will, as is intended by Hawaii Gas, undoubtedly result in fewer applications and

a lower amount of total capital expenditures being reviewed between rate cases. Therefore, as is detailed below, the above listed conditions of approval are intended to mitigate concerns regarding this reduction in scope of regulatory review of capital improvement projects in between rate cases.

## **I. BACKGROUND.**

### **A. PROCEDURAL BACKGROUND.**

On September 18, 2024, Hawaii Gas filed its Application requesting the Commission approve a permanent exemption from, and modification to, General Order. 9, Standards for Gas Service Calorimetry, Holders & Vessels in the State of Hawaii (“G.O. 9), section 2.3.f.2 by increasing the threshold amount exclusive of customer contributions from \$500,000 to \$2,750,000 for capital expenditure application filings.

On October 8, 2024, the Consumer Advocate filed its Preliminary Statement of Position.

On October 28, the Commission filed Order No. 41123 instructing the Parties to file a stipulated procedural schedule.

On November 18, 2024, the Commission filed Order No. 41204 approving the Parties’ Stipulated Procedural Schedule filed on November 12, 2024.

On January 9, 2025, the Consumer Advocate submitted information requests. Hawaii Gas responded on January 31, 2025.

## **B. HISTORICAL BACKGROUND.**

G.O. 9, the Standards for Gas Service Calorimetry, Holders & Vessels in the State of Hawaii, was promulgated by the Commission in 1965. G.O. 9 paragraph 2.3.f.2 requires:

Proposed capital expenditures for any single project related to plant replacement, expansion or modernization, in excess of \$500,000 or 10 per cent of the total plant in service, whichever is less, shall be submitted to the Commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier. If the Commission determines, after hearing on the matter, that any portion of the proposed project provides facilities which are unnecessary or are unreasonably in excess of probable future requirements for utility purposes, then the utility shall not include such portion of the project in its rate base. If the utility subsequently convinces the Commission that the property in question has become necessary or useful for public utility purposes, it may then be included in the rate base. Failure of the Commission to act upon the matter and render a decision and order within 90, days of filing by the utility shall allow the utility to include the project in its rate base without the determination by the Commission required by this rule. The data submitted under this rule shall be in such form and detail as prescribed .by the Commission.

Hawaii Gas' current capital expenditure filing threshold is \$500,000 and has been in place since 1965.

### **1. Docket No. 03-0255.**

On September 12, 2003, Hawaii Gas submitted an application to the Commission requesting a permanent exemption and a permanent modification from certain requirements set forth in G.O. 9 paragraph 2.3.f.2 ("2003 Application").<sup>2</sup> In its 2003 Application, Hawaii Gas requested to:

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<sup>2</sup> See Application, filed in Docket No. 03.-0255.

1. Increase the dollar threshold for the applicability of G.O. 9 paragraph 2.3.f.2 from \$500,000 to \$3,000,000; and
2. Exclude customer contributions from the calculation of the dollar threshold of G.O. 9 paragraph 2.3.f.2.

On May 5, 2004, Hawaii Gas and the Consumer Advocate filed their Stipulation in Lieu of Response to the Division of Consumer Advocacy's Statement of Position. Based on the following, Hawaii Gas withdrew its application:

As a result of informal discussions, TGC and the Consumer Advocate have agreed that given the relatively small number of TGC capital projects that would trigger the need for approval under the present filing requirements, in lieu of TGC filing a response to the Consumer Advocate's Statement of Position, that TGC may withdraw its application in this docket. [Footnote omitted].

Pursuant to that agreement, TGC hereby withdraws its application in this docket. The existing General Order No. 9, Paragraph 2.3.f.2. will remain in effect subject to further review and revision in the future as may be approved by the Commission.<sup>3</sup>

On May 14, 2004, the Commission issued Order No. 20978, in Docket No. 03-0255 and approved, without prejudice, Hawaii Gas' request to withdraw its application.

## **2. Docket No. 2015-0004**

On January 7, 2015, Hawaii Gas submitted its application requesting the Commission issue a decision and order approving the permanent exemption from, and modification to, G.O.9 by:

1. Increasing the \$500,000 capital expenditure threshold for Commission approval pursuant to G.O. 9 paragraph 2.3.f.2 to \$2,500,000; and

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<sup>3</sup> Stipulation in Lieu of Response to Division of Consumer Advocacy's Statement of Position, filed on May 5, 2004, in Docket No. 03-0255, at 2.

2. Excluding customer and third-party contributions from the dollar threshold of G.O. 9 paragraph 2.3.f.2.

On June 10, 2015, the Consumer Advocate filed its Statement of Position objecting to Hawaii Gas' request.

On April 15, 2016, the Commission filed Decision and Order No. 33659 ("D&O 33659") denying, without prejudice, Hawaii Gas' request to increase the monetary threshold that triggers the filing of capital improvement project ("CIP") expenditure applications with the Commission, from \$500,000 to \$2.5 million, exclusive of customer and third-party contributions.<sup>4</sup>

The Commission found and concluded, inter alia, that maintaining "the \$500,000 CIP filing threshold will ensure the Commission's ability to timely and meaningfully review Hawaii Gas' capital expenditures while not imposing an unreasonable hardship on Hawaii Gas."<sup>5</sup>

## **II. DISCUSSION.**

### **A. WHETHER, UNDER G.O. 9 SECTION 1.2(B), THE COMMISSION SHOULD APPROVE A PERMANENT EXEMPTION FROM, AND A MODIFICATION OF G.O. 9, SECTION 2.3.F.2. TO INCREASE THE THRESHOLD AMOUNT FROM \$500,000 TO \$2,750,000 FOR CAPITAL EXPENDITURE FILINGS.**

G.O. 9 section 1.2(b) provides that:

If unreasonable hardship to a utility or to a customer results from the application of any rule herein prescribed, application may be made to the Commission for the modification of the rule or for temporary or permanent exemption from its requirements.

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<sup>4</sup> D&O 33659, at 1.

<sup>5</sup> D&O 33659, at 22.

Hawaii Gas explains that meeting the filing requirements of G.O. 9, paragraph 2.3.f.2 presents an unreasonable hardship. In support of its request, Hawaii Gas presented the following summarized to descriptions of the work involved in meeting the current G.O. 9 threshold:

- Hawaii Gas estimates approximately 12 to 18 months of additional efforts focused on preparing each capital expenditure application.
- Every G.O. 9 application requires the support and effort of various internal staff members across various departments.
- Hawaii Gas may be subject to increases in prices for associated goods and services during the regulatory process.
- Hawaii Gas may lose timely opportunities such as contractor availability, favorable material prices, or aligning project schedules with planned maintenance.
- Depending on the nature of the G.O. 9 docket proceeding, Hawaii Gas may incur costs for external resources. Since 2020, the average cost for services for outside regulatory counsel has been approximately \$55,500 per application, and the average cost of services performed by external consultants for a G.O. 9 project greenhouse gas assessment is over \$36,000 per assessment.<sup>6</sup>

Hawaii Gas further states that:

...increasing the G.O.9 threshold to \$2,750,000 represents a reasonable approach that reduces the regulatory burden for small capital projects while allowing the Commission to still review major capital projects. The fact that

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<sup>6</sup> Response to CA-IR-1b.

there has never been an adjustment to the \$500,000 G.O.9 threshold requirement in approximately sixty (60) years demonstrates that Hawaii Gas currently bears undue hardship under the current requirement and, therefore, a modification is reasonable and necessary.<sup>7</sup>

The Consumer Advocate emphasizes that the Commission's and the Consumer Advocate's review of Hawaii Gas' capital expenditure applications is in the public interest. As such, the Consumer Advocate notes that any change in the threshold for requiring regulatory review of the capital expenditure projects should result in a reasonable percentage of the utility's annual plant additions being subject to regulatory review.

The capital expenditure application requirement is intended to reduce the time spent during rate case proceedings reviewing whether plant additions and corresponding costs were reasonable. The review of CIP applications in the years between rate case filings enables the work of the Commission and the Consumer Advocate to be better distributed and the review of a rate case application could be completed expeditiously, benefiting both the utility and its customers. Absent a capital expenditure review process, the Commission and the Consumer Advocate would have to scrutinize all plant additions subsequent to the test year of the utility's last rate case proceeding. The scope of such a review could span for several years and may be difficult to complete in the time allotted for the review of the rate case application. Moreover, a regulatory review of a utility's significant capital expenditures between rate cases provides assurance to ratepayers and the general public, that in the interim the utility is appropriately prioritizing investments that are critical to providing safe, reliable, and cost-effective service.

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<sup>7</sup> Application, at 12.



The Consumer Advocate's review of Hawaii Gas' request to increase the dollar threshold for filing capital expenditure applications considered the following:

1. The use of the change in the Urban CPI-U as the basis for a new dollar threshold amount for Section 2.3.f.2 of G.O. 9;
2. The percentage of G.O.9 threshold amounts relative to the Company's plant in service balance;
3. The percentage of the total cost of capital projects reviewed under the existing capital expenditure filing threshold to Hawaii Gas' total plant additions for the past 10 years; and
4. The reduction of the number of applications filed under the proposed \$2,750,000 threshold.

**1. The Use of the Change in the Urban CPI-U as the Basis for a New Dollar Threshold Amount for Section 2.3.F.2 of G.O. 9.**

Hawaii Gas explains that the current \$500,000 threshold has not been increased in the almost sixty (60) years since G.O. 9 was established in 1965 and if the threshold is not modified to account for inflation Hawaii Gas will continue to be required to obtain Commission approval for relatively small capital expenditure projects.<sup>8</sup> Hawaii Gas further states that these smaller capital expenditure projects do not significantly impact Hawaii Gas' plant in service or align with the original intent of paragraph 2.3.f.2 of G.O. 9.<sup>9</sup>

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<sup>8</sup> Application, at 10.

<sup>9</sup> Response to CA-IR-1b.

As shown in the table below, Hawaii Gas used the change in Urban Hawaii CPI-U to calculate the effect of inflation from 1965 to the year 2024 to make its determination that the \$500,000 threshold established in 1965 is inconsistent with the Commission's original intention.

<b>Year:</b>	<b>U.S. CPI-U Index</b>	<b>Urban Hawaii CPI-U Index</b>
2024	314.540	340.439
1965	31.2	34.2
<b>Ratios:</b>		
2024 CPI-U divided by 1965 CPI-U	10.8	9.95
<b>Effect:</b>		
\$500,000 in 1965 is worth the following In July 2024	\$5,040,000	\$4,975,000

Source: Exhibit 1 to Application

As shown above, the Urban Hawaii CPI-U index is 9.95 times higher in 2024 than in 1965 and applying the 9.95 increase to the \$500,000 filing threshold would amount to a threshold amount of \$4,975,000 in 2024.

Instead of requesting a \$5,000,000 threshold which would be in line with a full Urban Hawaii CPI-U Index adjustment, Hawaii Gas asserts that a \$2,750,000 CIP filing threshold represents a reasonable approach to reduce the regulatory burden for small capital projects while maintaining the Commission and the Consumer Advocate's regulatory review of more material capital expenditure projects that have a more significant impact on Hawaii Gas' plant-in-service.<sup>10</sup>

The Consumer Advocate does note that the inflation from 1965 has generally increased the prices that utility companies pay to procure the goods and services needed to deliver utility services. However, the Consumer Advocate contends that the Urban Hawaii CPI-U should not be the sole basis for supporting an increase in the dollar amount

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<sup>10</sup> Response to CA-IR-2a.

threshold in G.O. 9 section 2.3.f.2 because there is no direct relationship between the change in the Urban Hawai'i CPI-U and the change in the cost of providing utility service, noting that such indices include measures of other costs. The Consumer Advocate therefore offers some additional background below on CPI, CPI-U, and Urban Hawai'i CPI-U to illustrate the limitations of its use to represent the effects of inflation on the dollar amounts paid by utilities to deliver utility services.

The U.S. Bureau of Labor Statistics explains the following regarding the general CPI:

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a representative basket of consumer goods and services. The CPI measures inflation as experienced by consumers in their day-to-day living expenses.

The CPI represents all goods and services purchased for consumption by the reference population. BLS has classified all expenditure items into more than 200 categories, arranged into eight major groups (**food and beverages, housing, apparel, transportation, medical care, recreation, education and communication, and other goods and services**).<sup>11</sup>

The CPI-U is:

...a monthly measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services. The CPI-U is based on the spending patterns of urban consumers. Index data are available for the U.S. City Average (or national average), for various geographic areas (regions and metropolitan areas), for national population size classes of urban areas, and for cross-classifications of regions and size classes. Individual indexes are available for more than 200 items (e.g., apples, men's shirts, airline fares), and over 120 different combinations of items (e.g., fruits and vegetables, food at home, food and beverages, and All items).<sup>12</sup>

The Urban Hawai'i CPI-U is the sole CPI-U available for the Hawai'i region and is based

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<sup>11</sup> <https://www.bls.gov/cpi/questions-and-answers.htm>

<sup>12</sup> [https://www.bls.gov/help/one\\_screen/cu.htm](https://www.bls.gov/help/one_screen/cu.htm)

on pricing data samples covering only the Honolulu area.<sup>13</sup>

Although, the Consumer Advocate does not believe that the Urban Hawaii CPI-U is an appropriate index by which to determine a new filing threshold for applications filed under G.O. 9., as noted above, the threshold amount requested by Hawaii Gas is significantly lower as compared to a strict application of the Urban Hawaii CPI-U since 1965. Additionally, for the reasons that will be discussed in the following sections the Consumer Advocate does not object to the proposed threshold of \$2,750,000.

## **2. The Percentage of G.O.9 Threshold Amounts Relative to the Company's Plant in Service Balance.**

The current filing threshold for capital expenditures set forth in G.O. 9 paragraph 2.3.f.2 is \$500,000 or ten percent (10%) of the total plant in service, whichever is less. Hawaii Gas states that its requested modification to increase the G.O. 9 threshold to \$2,750,000 will ensure closer alignment to the Commissions' original intent to review any single project where the total expenditure amount is the lesser of \$500,000 in 1965 or 10% of the utility's plant in service.<sup>14</sup>

In its response to CA-IR-4a., Hawaii Gas states that it believes that the analysis of the G.O. 9 threshold should focus on the 10% of Hawaii Gas' total plant in-service numbers as set forth in paragraph 2.3.f.2 of G.O. 9. In the table below, Hawaii Gas

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<sup>13</sup> Application, at 11, note 22. Hawaii Gas notes that in 2018, the U.S. Bureau of Labor Statistics changed the index name from "Honolulu" to "Urban Hawaii". In 2018, the U.S. Bureau of Labor Statistics revised the CPI provided for each geographic region, introducing new geographic sample areas consisting of large, medium, and small urban areas. For Hawaii, prior to 2018 the only index available was the Honolulu CPI-U which was based on pricing data samples from Honolulu. After the revision in 2018, only one index continues to be available for the State of Hawaii. Consequently, the U.S. Bureau of Labor Statistics changed the index name from "Honolulu" to "Urban Hawaii", although the pricing data samples continue to cover only the Honolulu area.

<sup>14</sup> Application, at 12.

compared the current and proposed thresholds as a percentage of Hawaii Gas' 1965 plant-in-service and the plant-in-service in its most recent financial statements:

	Percent of 1965 Total Plant-In-Service as of December 31, 1965	Percent of Current Total Plant-In-Service
Current \$500,000 Threshold	2.7% (\$500,000/\$18,810,352)	0.17% (\$500,000/\$293,219,554)
Proposed \$2,750,000 Threshold	0.15% <sup>15</sup> (\$2,750,000/\$18,810,352)	0.94% (\$2,750,000/\$293,219,554)

Source: Response to CA-IR-4a. Based on Hawaii Gas' annual report for year ending December 31, 2023, filed with the Commission on July 29, 2024, Hawaii Gas' plant-in-service is \$293,219,554.

As shown in the table, the impact of the current \$500,000 threshold on Hawaii Gas' current plant in service of \$293,219,554 has decreased significantly from 2.7% in 1965 to 0.17% as of 2023. By Comparison, the proposed \$2,750,000 threshold would represent 0.94% of Hawaii Gas' current plant in service of \$293,219,554. In other words, even if the proposed threshold amount is approved, the 0.94% ratio of the new threshold amount to the Company's current plant in service balance is still roughly three times lower than the original ratio of 2.7%.

### **3. The Percentage of the Total Cost of Capital Projects Reviewed Under the Existing Capital Expenditure Filing Threshold to Hawaii Gas' Total Plant Additions for the Past 10 Years.**

As discussed in the preceding section, the filing threshold for proposed capital expenditures was intended to reduce the regulatory review conducted on the utility's plant in service balance during a rate case proceeding. Thus, to accomplish that objective the capital expenditure filing threshold should represent a reasonable percentage of the

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<sup>15</sup> There appears to be a rounding error in the original chart provided by Hawaii Gas, the percent of total plant in service as of December 31, 1965 of the proposed threshold amount of \$2,750,000 would be 15% of the gross plant in service of \$18,810,352 at that time.

utility's plant additions. The threshold should not be set too high, in which the utility will be allowed to proceed with major projects not being subject for regulatory review prior to being placed into service. On the other hand, the threshold should not be set so low that the regulatory review process consists of projects that are routine and necessary for the provision of utility services.

There is a concern that increasing the filing threshold to \$2,750,000 may increase the work to be performed in future rate cases because too many capital projects would be completed without being subject to Commission review. Therefore, the Consumer Advocate analyzed the relationship of Hawaii Gas' plant in service additions to the total cost of capital projects reviewed under the G.O. 9 filing requirements. The Consumer Advocate examined the total cost of plant additions made in a recent ten-year time span (2014 to 2023). As shown in Exhibit 1, over this ten-year period there were twelve capital projects that required Commission approval under G.O. 9 paragraph 2.3.f.2.<sup>16</sup> The costs of the approved projects represented approximately 25% of the total plant additions. Under the proposed \$2,750,000 filing threshold, the overall percentage would decrease to approximately 18%.<sup>17</sup>

The Consumer Advocate has concerns that nearly 80% of Hawaii Gas' total capital expenditures could continue to be made in between rate cases without a regulatory review. Thus, in Section II.B below, the Consumer recommends alternative mechanisms

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<sup>16</sup> Docket Nos. 2018-0420 and 2022-0150 were dismissed.

<sup>17</sup> The Consumer Advocate's analysis does not examine the relation of the plant additions in a given year to the total costs of the projects for which capital expenditure applications were filed in the year. Due to a project's construction schedule some capital projects may not be completed and recorded as a plant additions in the same year the capital expenditure application was filed.

to assure that the plant additions, not subject to regulatory review through a capital expenditure application, are reported on through alternate procedures in years between rate cases to mitigate concerns regarding this reduction in scope of regulatory review of capital improvement projects.

#### **4. The Reduction of the Number of Applications Filed Under the Proposed \$2,750,000 Threshold.**

Hawaii Gas indicates that increasing the G.O. 9, section 2.3.g.2 threshold requirement to \$2,750,000 will reduce the number of G.O. 9 applications Hawaii Gas will be required to file in the next five years, from September 2024 to 2029.<sup>18</sup> If the proposed threshold is approved, Hawaii Gas states that the projects that will no longer be subject to G.O. 9 regulatory review will primarily be replacements, upgrades, and system maintenance improvements (insignificant in size and scope compared to major capital projects that the Commission contemplated be subject to G.O. 9 review in 1965).<sup>19</sup>

Hawaii Gas states that leaving the G.O. 9 threshold at \$500,000 presents an undue hardship on Hawaii Gas since it will be required to submit applications for Commission approval of relatively small capital projects and routine maintenance work that were never intended to be subject to Commission review.<sup>20</sup> In its response to CA-IR-3b., Hawaii Gas states:

Since 2020, for applications triggering G.O. 9, paragraph 2.3.f.2., the average cost for services performed by external consultants, specifically outside regulatory counsel, has been over \$55,500 per application. Using

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<sup>18</sup> Application, at 13.

<sup>19</sup> Application at 13.

<sup>20</sup> Application, at 13.

this average cost per application, this results in about \$500,000 in additional costs for external legal counsel fees to prosecute the nine (9) anticipated applications that would not be required if the threshold were increased from \$500,000 to \$2.75 million. In addition, as mentioned above, some G.O. 9 dockets include external consultants to help with performing and providing a GHG assessment for the project. Since 2020, these G.O. 9 project GHG assessments on average have cost Hawaii Gas over \$36,000 per assessment. (footnotes omitted)

In Exhibit 2, the Consumer Advocate analyzed the number of applications that were filed under the current threshold from 2015 through 2024 and the number of applications that would be required to be filed under the proposed filing threshold from 2025 through 2029. As shown in Exhibit 2, from 2015 to 2024 Hawaii Gas filed twelve applications over the 10-year period. In the 10-year period, Hawaii Gas filed zero to two G.O. 9 applications per year. Under the proposed threshold of \$2.75 million, the number of capital expenditure projects Hawaii Gas would be required to file from 2025 through 2029 would decrease significantly from 14 applications to 5 applications, with 4 applications anticipated to be filed in 2026 and 1 application to be filed in 2027. Stated differently, under the proposed threshold Hawaii Gas will be required to file 0 to 4 applications per year.

While this reduction in the total number of projected applications over the next ten years is supportive of Hawaii Gas' stated intention of reducing the hardship of filing applications, it again suggests that the scope of regulatory review of capital improvement projects will be reduced under Hawaii Gas' proposal. As mentioned in the preceding section, in order to mitigate concerns regarding this reduction in scope of regulatory review of capital improvement projects, the Consumer recommends alternative mechanisms as conditions of approval as further discussed below.



**B. THE CONSUMER ADVOCATE'S RECOMMENDED CONDITIONS IF THE THRESHOLD IS INCREASED.**

Based on the above, while the Consumer Advocate has concerns regarding the amount of capital expenditures that would not be subject to review between rate cases, the Consumer Advocate does not object to the Commission approving Hawaii Gas' requested increase in the dollar threshold amount of G.O. 9 section 2.3.f.2. provided that the Commission adopt the following conditions to better assure that the plant additions, not subject to regulatory review through a capital expenditure application, have sufficient scrutiny in years between rate cases.

1. Hawaii Gas should be required to expand the information provided in its Five-Year Capital Expenditure Budget Forecast to include more information regarding the projects reflected in the budget with particular emphasis on the projects planned for the upcoming year.
2. Hawaii Gas should provide a narrative list of the projects completed during the preceding year.

- 1. Hawaii Gas should be Required to Expand the Information Provided in its Five-Year Capital Expenditure Budget Forecast to Include More Information Regarding the Projects Reflected in the Budget with Particular Emphasis on the Projects Planned for the Upcoming Year.**

G.O. 9 section 2.3.f.1 states:

The utility shall, by January 1 of each year, file with the Commission, a report (in a form approved by the Commission) of its projected capital improvements program expenditures budget for the ensuing five years which shall include, in considerable detail, the capital improvements

program expenditures budget approved by management for the first year of the five-year period.

The Consumer Advocate recommends that Hawaii Gas be required to expand its Five-Year Capital Expenditure Budget Forecast to include a narrative for each project that is expected to cost \$500,000 or more for the upcoming year and each project that is expected to cost \$500,000 or more annually. The narrative should include: 1) a brief description of the project, 2) the primary reason for the project, 3) the estimated cost of the project 4) an explanation of how each project relates to the overall strategic objectives of Hawaii Gas as well as how various projects may be interrelated and/or positively or adversely affected by existing or other future projects, and 4) an estimated timeline for the project including start and completion dates for each project.

In its response to CA-IR-6, Hawaii Gas agrees to expand the Five-Year Capital Expenditure Forecast to include the additional information, with the caveat that the reported information may be subject to change, especially for projects that are more than a year or so out.

In addition to Hawaii Gas' agreement on this issue, the Consumer Advocate does not believe that the additional information requested to be included in the forecast will generate additional work for Hawaii Gas since the Consumer Advocate expects that the information would have been presented to Hawaii Gas' management during its internal capital expenditure budget approval process. As such, the capital budget that is submitted to the Commission should represent a well-developed capital expenditure plan that has undergone internal review and scrutiny by the Hawaii Gas' management.

Therefore, the Consumer Advocate contends that Hawaii Gas' existing Five-Year Capital Expenditure Forecast can be modified, to provide the additional information

needed for a more comprehensive review of Hawaii Gas' capital expenditure projects in between rate cases.

**2. Hawaii Gas Should Provide a Narrative of the List of the Projects Completed During the Past Year.**

In order for the Commission and the Consumer Advocate to assess the need for plant additions made in the preceding year, Hawaii Gas should provide a report that identifies the total cost and amount of completed "blanket" and non-blanket projects. The Consumer recommends the following information be provided in the report:

- Blanket projects with a threshold of \$500,000 – These projects would only need to be summarized by each district of Hawaii Gas by providing the total number of projects completed and the total costs associated with those projects. No narrative will be required for "blanket" projects.
- Projects with a total cost of \$500,000 \$2,750,000 – These projects should have already been discussed in the capital budget process, so no additional narrative would be required to explain the need of the project or the relationship to management's objectives, unless the project was not included in the capital expenditure budget forecast. Each of these projects would need to be itemized with the actual costs incurred, an explanation of any deviations of  $\pm 10\%$  from the budgeted cost, and a general discussion of the reasons causing the variance.
- Projects with a total cost of \$2,750,000 or more – These projects would be reviewed in the capital expenditure application review process, the report

should include an identification of the projects and the total completed cost for each project.

**III. RECOMMENDATION.**

Based upon the above, the Consumer Advocate hereby states that it does not object to the approval of the above application provided that the Commission adopts all of the conditions recommended by the Consumer Advocate in Section II.B, above.

DATED: Honolulu, Hawaii, February 28, 2025

Respectfully submitted,

By /s/ Michael S. Angelo  
MICHAEL S. ANGELO  
Executive Director

DIVISION OF CONSUMER ADVOCACY

# EXHIBIT CA-1

Exhibit CA-1 is being filed separately in native format

# EXHIBIT CA-2

Exhibit CA-2 is being filed separately in native format

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S STATEMENT OF POSITION** was duly served upon the following parties electronically to the e-mail addresses below pursuant to HAR § 16-601-21(d), as modified by Order No. 38270 Setting Forth Public Utilities Commission Electronic Filing and Service Procedures, filed on March 14, 2022.

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DATED: Honolulu, Hawaii, February 28, 2025.

/s/ S. Strack

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The foregoing document was electronically filed with the State of Hawaii Public Utilities Commission's Case and Document Management System (CDMS).